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ARE WE ALL CONSUMERS?

Address by D. E. Montgomery, Consumers' Counsel,
Agricultural Adjustment Administration, at the
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We are all consumers. The consumer interest is the public interest.

The function of government is to serve the public interest. If we are all consumers and our consumer interest is the public interest, the function of government is to serve all of us as consumers. "Consumers should clearly understand," says Clarence Ayres, "that the only agency which is adequate to their needs is the government itself."

But what is "the government itself?" In a democratic country public opinion runs the government. Individuals contribute little to public opinion upon any question. To get their views accepted as part of the public viewpoint, they must associate themselves effectively with others who think as they do. Citizens, organized in groups of common purpose, create public opinion.

We are all consumers, but also we are all producers. Through all of our national history it has been our habit to organize as producers. As producers we are concerned with how much money we can get, as consumers with how much we can get for our money. Traditionally we have given more thought to getting income than to spending it. We organize in producer groups, in groups of people having a common kind or source of income.

More correctly we are all producers and consumers. Farmers and factory and city wage earners make up the great majority of our population as producers. These same people, farmers and factory and city wage earners, are also the

great majority of all consumers. Organized along producer lines and for producer purposes all these people formulate public opinion, and through public opinion contribute importantly to public policy. Democratic government, responsive, as it should be, to articulate public opinion that knows what it wants, works out policies largely in terms of producer objectives. During the past four years government has given to producer groups far greater recognition in public policy than they have ever enjoyed before. This is as it should be. It is the democratic process, reflecting in public policy what public opinion demands.

We are all consumers but we don't act that way. As consumers we have done little through organization to formulate our consumer interest, to project our aims and purposes into public opinion, to contribute effectively from the consumer side to the democratic processes of government. It is not enough to reiterate that we are all consumers, that the consumer interest is the public interest. General statements of that kind tend to dispose of the consumer question as the particular concern of no one and therefore the general concern of everyone, or of "the government itself," whatever that may mean in the specialized, highly organized society of our times. Neglect of the consumer interest may be accounted for as another example of the general truth that what is everybody's business is nobody's business.

Of course it is only relatively correct to say that the consumer interest has been neglected. Some laws of our state and federal governments were written chiefly to serve the public as consumers, and there are others from which consumers derive some benefit indirectly. But, on the whole, legislation in behalf of consumers is inadequate to consumer needs and has comparatively hard sledding with appropriations and enforcement.

Of far greater significance for the consumer interest than anything which governments have done is the consumers' cooperative movement. For almost 100 years that movement has been developing in practice and in precept a philosophy of the consumer interest, a program for consumer action, and a technique of consumer organization. Recently in the United States that movement has gone into action with a vitality and an early measure of success which deservedly have attracted attention to it. Among our governments, to be sure, it has been almost ignored. Many states do not offer it suitable opportunity for incorporation. Taxation policies with respect to it are left vague and undefined. In the federal government the facts about it and what it is accomplishing have been so casually assembled as to furnish no clear national picture of just what is taking place.

In the commercial world, by contrast, the cooperative movement is receiving its full share of attention -- the exaggerated, alarmed, almost hysterical kind of attention which normally accompanies any new development of consequence. When an important change of any kind threatens to inject itself into our business life, the question on all sides is this, "What will it do to us?" The fear which arises is the fear of change itself. It tends to prevent inquiry along the more fruitful line, "What may it do for us?" Probably we shall find, when consumers' cooperation has taken its place in our economic life, that it has substituted new opportunities for the old ones which it displaces. If individuals here and there lose out in present undertakings, these and other individuals will find new things to do, and it will not be overlooked that even without change the fortunes of individuals come and go. So the important question is, "What can the cooperative movement do for us?"

Can it help the individual household to cope with the perplexing problem of how to get most satisfaction from its income? Can it show us the way to lift from our shoulders the burden of a distribution system which serves so imperfectly as a balance wheel and regulator of productive activity and seems to dissipate so much of its energy in cross purposes? Will it demonstrate that the great mass of plain citizens can learn to participate in the control of larger economic affairs than they now can reach through the little tasks of the daily job and the little choices of the family spending? Will it by this means enrich the lives of individuals by opening out the horizon of their influence? And will this expansion of popular influence and power reshape the purpose of our whole economy in the direction of more abundant living?

I do not know the answers to these questions, nor do you, nor do those who are engaged in the cooperative movement. But I do know that cooperators have great faith and great determination that such ends will be achieved by organizing economic activity from the consumer approach. Let me talk over some of the purposes of their program, as I understand it, to show more particularly how they hope to do this.

Purpose No. 1 is to reduce the cost of living by returning to purchasers the savings realized on wholesale or retail distribution, or on manufacture, of the goods they buy cooperatively. These are the immediate and practical benefits of cooperating. They are the sustaining fuel of the movement, so to speak. These savings may turn out to be large; they may prove small. It seems doubtful that direct savings alone will be great enough to effect a revolutionary improvement in the standard of living. And when I say this I recognize

that I minimize some very substantial results which cooperatives in Europe and in this country have already obtained in the form of capital accumulations and savings returns to their members.

Direct savings from operations are essential to the continued financial success of the cooperative movement. But they are not the essence of its success. This is made very clear by cooperators themselves. From Murray Lincoln's radio address of last month I quote this, "Cooperation has been defined as an educational movement that employs economic action to bring about certain desired social ends." Note that first it is an educational movement. Next, to exist and to grow it must be able to show a difference between income and outgo, which private business calls profit and cooperators call savings. This is the economic action which it employs for the desired social ends. Keep this in mind when you hear cooperators talk about "true Rochdale principals" and you are puzzled as to what they mean by this cryptic formula. They mean that consumers' cooperation is not a profit-seeking, bargain-hunting or penny-pinching commercial venture. They mean that it is a program which educates consumers for economic action, and through economic action educates them for larger social responsibilities.

Purpose No. 2 is to establish a form of enterprise in the field of distribution which will serve exclusively as the consumers' purchasing agent and from that viewpoint attack the problem of how consumers may make the most effective use of purchasing power to improve their standard of living.

In very large measure, wholesalers and retailers are today the sales agents of manufacturers. Manufacturers determine what kind of goods shall be sold and what prices shall be charged for them. Many wholesalers and

retailers are mere transfer agents, offering for sale to consumers what manufacturers offer to them, passing back from consumers the amounts which manufacturers tell them to collect in payment. To make sure of this dependence, independent retailers are getting laws passed by state and federal legislatures which make it compulsory upon every one of them to charge that price which the manufacturer names for his branded product.

Among the larger retailers -- chain stores, mail-order houses, department stores -- a broader responsibility of distributors to their customers is recognized. Up-to-date merchants in this field refer to themselves as consumers' purchasing agents. They devote attention to customer research. They investigate the flow of consumer income and how it is spent in order to find out, as they state it, what their customers want. Yet on the whole this effort to give consumers "what they want" is largely defeated by the overwhelming pressure of advertising and salesmanship to tell consumers what they want and to tell them to want those things which mean more business and more profit for those who have something to sell.

It is scarcely the purchasing agent's job, I think, to tell his principal what to want by working upon his psychological weaknesses. Rather it is his duty to examine into the actual needs of the company for which he is buying, and to buy those things which most exactly meet requirements both as to quality and price. The same principles hold for retailers if they are to function as consumers' purchasing agents. And this is the new element which consumers' cooperation brings into the process of distribution. Owned by their customers, created and operated for the sole purpose of meeting their needs, they seek to do for consumers what consumers would do for themselves if they had the time, the resources and the special training that are

required to obtain the greatest possible value for their money.

And they do more than this. They give attention to how consumers use the things they buy and they advise them against extravagant practices to which they have been educated by commercial selling methods calculated to make them spend more liberally. For the controlling purpose of commercial distribution is to get the largest possible share of the consumers' dollar. Products and the processes of sale are made as unreal and glamorous as possible. The consumer must be persuaded somehow that the act of spending is in itself a desirable thing and a major part of the satisfaction which one derives from income. The cooperative goal, on the other hand, does not lie in the fashion or manner of spending income, but in the utility and satisfaction of the things which income buys. Its methods are realistic. Experts of modern merchandising are quite sure that their world of make-believe has the greater appeal to the average citizen. They may be wrong. In any event, consumers' cooperation gives people an opportunity to choose which brand of distribution they prefer.

The third and last purpose of consumers' cooperation that I wish to discuss is its desire to restore to the individual citizen a genuine opportunity for the exercise of his initiative and influence in the control of his economic affairs. It is hardly necessary to recite in how many ways the individual is deprived by the complex organization of industrial society of free choice and of any sensible opportunity to make his initiative count. For all but an exceptional few the rule is absolute -- to make a living you must conform. Even those who own our large corporations are not left free to exercise initiative with respect to them; control is a specialized

profession largely divorced from ownership and reserved to those who understand the business of getting control and keeping it.

Now what the consumers' cooperatives hope to do, as I understand them, is to bring individuals together in a form of association designed to preserve for them the opportunity to initiate, manage and control the economic instruments which they have created to serve their needs. First, through education they propose to encourage people to establish their own business enterprise. Through operation of that enterprise the people will educate themselves in the problems of control. Each individual member, so far as his talents and his tastes may move him, can share in the councils of his cooperative corporation. In that way he will acquire knowledge and experience and have something to say on the economic processes which lie beyond the range of his influence so long as he works alone. In greater or less degree, according to his participation in the affairs of his association, he may extend his own personality, so to speak, out into the world around him just as far as his cooperative enterprise extends. Eventually, as experience has shown, that may prove to be a very great distance indeed, geographically and economically.

Strangely enough, the cooperative movement is assailed as the enemy of individualism, and this at a time when the student of world affairs must wonder whether the education for exercise of individual responsibility upon which the movement depends can proceed rapidly enough to forestall the opposing discipline of collectivism. Those who mistakenly propose to protect individual initiative from the rise of consumers' cooperation are concerned with a different kind of individualism. It is individualism open to a limited few and the initiative which it bespeaks is the right to control the activities of others. The individual cooperator is to have no such

opportunity. He may not do just as he likes. He may express his own desires only insofar as he can impress his views upon his fellow cooperators. Engaged in this process he is not likely to resemble a captain of industry in authority. But the cooperative teaching is that this sharing with others in order to find employment for his ideas and his initiative brings the average human being much closer to real freedom of enterprise than he is likely to find, for example, through his God-given right to find work where he can, to quit his job when he doesn't like it, or to own stock in large corporations.

These, then, are the major purposes of consumers' cooperation. To supply themselves with many or all of the things they need through their own business enterprise. To make savings for themselves through the operation of this business efficiently, and to get the kind of goods and services which actually meet their needs through retail, wholesale, and manufacturing establishments operated in the interest of a higher level of consumption for all concerned. And through all of these activities, to educate citizens to their social responsibilities by making it possible for them to put their energies to work in larger undertakings than anyone of them alone will find within the range of his own living.

One question that I have raised remains to be answered, and the answer to that I shall have to leave to the cooperatives. I said that our great classes of producers--farmers, factory and city wage earners--have organized as producers, to protect their sources of income, but have not organized as consumers, to protect the value of their income. And I said that because of this they have not contributed significantly to the formulation of public opinion and public policy on the consumer side. I implied that in this

respect they have run out on the democratic process. That process can serve the needs of people only as it reflects the needs of people. The great majority of our people need a better standard of living than they now enjoy. That breaks down into two needs, to get more income and to get more for that income. If their only effective contribution to public policy is to express their producer need to get more income, they may find in the end that this comes down to a struggle between producer groups to get their respective shares of a national total which in the aggregate isn't large enough for all of us anyway.

I think that public opinion which proceeds from consumer organization can be helpful here. Since the consumer interest runs to all of the products of all kinds of production, it is concerned with the aggregate output of all of them and will point the finger at the inadequate size of total national income, which is the real antagonist after all. The consumer cooperative movement must be built upon people whose producer interests are as important to them as their consumer interests. There are no others of consequence to whom it can look. At the same time it is more inclusive than any one producer group. Therefore it should be able to point the way for a joint attack by all of us as producers upon the problem of how to get our productive activities in step, for without that we shall not reach the much higher level of output of which we are probably capable. Whether our consumer cooperators can do this for us is a question I leave with them.